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BASIC POSITION OF THE EUROPEAN UNION ON UNCTAD IX

Note by the UNCTAD secretariat

In response to a request from the Presidency of the European Union (Italy), dated 29 February 1996, the secretariat is circulating the attached position paper as an official document of the Conference.

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Ninth session

Midrand, South Africa
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GUIDELINES CONCERNING THE E.U. BASIC POSITION ON THE CONFERENCE AGENDA

A(i) - Agenda Topic 1(a) **Development policies and strategies in an increasingly interdependent world economy in the 1990s and beyond: assessment of the development problematique in the current context**

1. Technological progress, and the international integration of markets for goods, services and capital are crucial factors shaping economic and social change throughout the world. This, together with the rapid expansion of international investment, has also had the effect of making countries more interdependent. In this context the restructuring of national economic policies, by both advanced industrial and developing countries, has led to a significant improvement in the prospects for sustained economic growth and the expansion of trade.

2. Thanks to the widespread adoption of outward-oriented reforms, many developing countries are at the forefront of this process of change. Their integration into the global economy through trade and foreign direct investment, and the increased openness of their markets, provides a major opportunity for raising incomes in both developing and advanced industrial countries in the long-term. The present outlook suggests that developing countries will be the main contributors to world economic growth in the coming decades.

3. This, however, does not apply to all developing countries to the same extent and many difficulties remain :

Marginalisation: Underlying rates of growth are still very low in Least Developed Countries (LDCs) which have not sufficient supply and infrastructure capacities. Marginalisation concerns particularly those countries which have made less progress in encouraging enterprise and diversifying output and are unable to benefit fully from investments necessary for production and access to developed countries' markets. In contrast, countries with more export-oriented growth policies are continuing to grow faster.

Domestic, economic and social problems: Even in countries where economic growth rates are satisfactory, there are numerous problems which have both social and economic aspects. These include unemployment and under-employment, relative and absolute poverty and demographic imbalances. It is increasingly apparent that the solution of such problems is important not only in its own right but also to help sustain economic progress.

Environmental damage: There is mounting evidence that environmental damage could have devastating long-term social and economic consequences. However, concerns for environmental protection may give rise to protectionist barriers to trade. The international agreements reached at the 1992 Rio Conference on Environment and Development need to be effectively implemented. Measures to control environmental damage should be carried out without introducing any such barriers.

A(ii) - Agenda Topic 1(b) **Development policies and strategies in an increasingly interdependent world economy in the 1990s and beyond: policies and strategies for the future**

4. The central need is to establish conditions for sustained and sustainable growth worldwide. UNCTAD IX should contribute to building consensus on the policies required to create such conditions in matters relating to trade and development.

5. Macro-economic and adjustment policy in LDCs and other low-income countries should pay close attention to long-term sustainable development. At the same time these countries must strive to widen their economic horizons and increase their competitiveness so as to benefit from fuller integration into the global market economy.

6. Discussions at UNCTAD IX should confirm and clarify the need for good governance and the improvement of the functioning of public administration.

7. Increasing integration of global markets means that stricter discipline in overall macro-economic and financial management is required in all countries.

8. UNCTAD IX should emphasise the primary importance of domestic policies and the private sector in contributing to development. In most cases the private sector is the main dynamic agent in attaining economic growth and development. In particular, small and medium-sized enterprises can play a crucial role in alleviating poverty by generating employment and income for poor communities.

9. Trade and development policies of the international community should give a higher priority to LDCs that are, in their majority, situated in sub-saharan Africa. Action is needed to help these countries to adapt to and take advantage of the new trading environment created especially by the conclusion of the Uruguay Round. Such action, covering both market access and the improvement of infrastructure and output, should enable them to increase export earnings. LDCs should be the priority beneficiaries of UNCTAD technical assistance.

B - Agenda Topic 2 Promoting international trade as an instrument for development in the post-Uruguay Round world

16. UNCTAD's future activities should be largely devoted to facilitating the integration of developing countries into the international trading system. UNCTAD IX should consider the need for continued adaptation of trade and development policies in response to significant economic changes in the world: globalization and growing interdependence; trade liberalization and strong growth in world trade; the emerging consensus that market-based solutions and private initiative play a key role in development; the need for an appropriate policy and legal framework; the intensification of processes of regional economic integration; the increased access of many developing countries to private capital and to information. It is important that liberalization be continued and that developing countries fully benefit from this liberalization.

17. UNCTAD IX should recognize the overall positive impact of the Uruguay Round Agreements on development. The resulting stimulus to world economic growth will improve developing countries' economic prospects. Developing countries will benefit from a more secure trading environment. To fully make use of the opportunities offered in the longer term, developing countries should pursue the necessary domestic policies.

18. Some developing countries may however suffer from short-term effects and the possibility of higher prices for food imports. The provisions contained in the Uruguay Round Final Act conferring special and differential treatment for developing countries, and in particular decisions giving special attention to LDCs and net food-importing countries, are of key importance in this respect. UNCTAD will have to review the issue of effects of the Uruguay Round on these countries when the full effects can be evaluated.

19. UNCTAD IX should recognize that the WTO and UNCTAD will continue to have quite distinct and complementary roles to play with regard to the world trading system. The WTO is the forum for trade negotiations and rule-making; it is responsible for the management and monitoring of the multilateral trade rules and dispute settlement. Its establishment has strengthened the multilateral trading system and increased its coverage to new sectors and issues. UNCTAD has a significant role in dealing with wider development issues, analysis, consensus building, dissemination of information and providing certain forms of technical assistance to developing countries.

10. Poverty alleviation and empowerment of women, including the strengthening of their economic rights are important cross-cutting objectives in the consideration of trade and development issues in UNCTAD. While avoiding overlap, UNCTAD's work should, in close cooperation with the Bretton Woods institutions and the relevant UN organizations be directed towards promoting policies for access to and the sustainable use of productive resources, including credit, markets, know-how and information. The access to these resources should be irrespective of gender in accordance with the conclusions of the Beijing Conference and should be in line with the conclusions and recommendations agreed upon in the Copenhagen World Summit for Social Development.

11. Efforts should be reinforced to fully integrate environmental concerns into trade and development policies generally and in UNCTAD's work in particular.

12. UNCTAD IX should emphasise the importance of encouraging foreign investment which can play a key role in the development process through the provision not only of financial resources but also technology transfer, employment, human resource development, managerial expertise and access to foreign markets. Unfortunately, the LDCs and other low-income countries are still not successfully attracting sufficient foreign capital flows. In these circumstances UNCTAD should give particular attention to this category of countries.

13. Official development assistance (ODA) will continue to play an important role in financing development and is particularly indispensable in LDCs and other low-income countries. However there is a need to revitalise donor countries' development policies and for the effectiveness of ODA to be ensured. Efforts to provide debt relief should be pursued particularly for severely indebted low-income countries as agreed at the Copenhagen World Summit for Social Development.

14. The more advanced developing countries should assist the LDCs: for example they should pass on their experiences of successful development and provide more favourable treatment to imports from them.

15. South-South cooperation including regional economic cooperation could make a greater contribution to development, in particular by helping to enable developing countries to overcome handicaps of small market size. Appropriate outward-oriented forms of regional integration complement multilateral liberalization of trade. South-South cooperation should be considered as one of UNCTAD's key cross-cutting issues.

20. Imports from developing countries benefiting from the Generalized System of Preferences (GSP) have been growing steadily. Some developing countries have now reached income levels comparable to those of some GSP donors and could themselves introduce GSP schemes. However, the LDCs continue to benefit too little from the GSP schemes. Therefore the GSP schemes need to be adjusted to enable benefits to be concentrated more on the poorest and most marginalised developing countries.

21. Several of the Uruguay Round Agreements contain important competition-related provisions. However, the interrelationship between trade and competition policy needs to be clarified. UNCTAD is already playing a useful role in helping developing countries to formulate competition policies and legislation, in institution building, in providing a forum for exchanges of views between competition experts, in encouraging best trade practices and producing analytical papers. The Conference should agree on the continuation of this role and on UNCTAD undertaking further related analytical work in this area. Furthermore, the importance of Foreign Direct Investments in promoting international trade is increasingly recognized. The European Union welcomes the growing share of developing countries in this area. Ways to further this growth and extend it to developing countries, particularly to LDCs and African countries, should be explored.

22. UNCTAD has made recommendations at an inter-governmental level which should be useful in the effort to make trade and environmental policies more mutually compatible. The Commission on Sustainable Development has designated UNCTAD as the "task manager" on trade and environment, responsible for reviewing other work in the area and for identifying gaps in the work in progress. Accordingly UNCTAD IX should provide for further relevant development related work to be done.

23. The services sector is a potentially important source of growth and can be a prime mover in development, its productivity often being higher than that of agriculture and manufacturing. However, many developing countries are unable to generate the quantity and quality of producer services demanded by local producers and exporters. UNCTAD's activities should continue to focus on capacity building in developing countries in services and trading opportunities in this sector. Work should assist developing countries to design policies for the development of their services sectors and a services export capacity.

24. The Conference should review and assess progress with the trade efficiency initiative including the experience gained so far in the working of trade points and their inter-operability. The initiative should be developed into a meaningful instrument to enable small and medium-sized enterprises (SMEs) to take a more active part in the international trade. It is necessary to continue to increase awareness of general policy approaches needed for trade efficiency in the areas of customs, transport, banking and insurance, business information, business practices and telecommunications.

25. Rapid data transmission and reliable data protection are necessary for new enterprises, large and small, if they are to be competitive. Access to information technology is important for countries being able to benefit from globalization. Therefore the free flow of information should be encouraged. Potential investors will also want to be sure that host countries, according to the rules of relevant international organizations, provide adequate protection for intellectual and industrial property rights.

26. Concerning commodities, the vulnerability of commodity dependent developing countries to abrupt variations in export earnings has focused attention on the need to promote diversification in the commodities production and greater awareness and more effective use of risks management instruments. Other unfulfilled requirements in this field are institution building, training, familiarization, investments and reform of local banking systems and changes in government regulations.

27. UNCTAD should consider and identify the conditions in which vertical and horizontal diversification can take place as well as the possibilities for commodity export-dependent developing countries to reduce instability and risks they face. It should consider the reasons why the majority of commodities producer developing countries have suffered a continuing decline in their share of world exports of primary commodities and possible domestic policy measures to improve their situation. In the future UNCTAD should undertake further work taking into account issues relating to the need for sustainable management of natural resources.

28. As noted above, the private sector is the main dynamic agent in attaining economic development and growth. Within its competence, in close cooperation with other relevant organizations (e.g. ILO, UNIDO and Bretton Woods institutions), UNCTAD's future activities should promote policies to foster private enterprise development and competitiveness and thereby bring about growth, efficiency and improvement of social welfare. Its work should especially assist low-income countries through analysis and technical assistance in its various fields of activity.

29. Following the transfer of the competence of the UN Commission on International Investment and Transnational Corporations to UNCTAD, extensive consideration is being devoted to issues relating to the rapid development of international investment. The focus here is mostly on large scale operations, and emphasis should shift in recognition of the particular importance of SMEs. More research is needed into the conditions in which SMEs can contribute to development.

30. UNCTAD IX should identify policies that developing countries should implement to favour the private sector development. Such policies include :

- providing stable macro-economic conditions and well-functioning financial markets for enterprise activity;
- developing economic, social and legal infrastructure;
- maintaining the rule of law, respect for property rights and open participatory government;
- providing an appropriate enabling framework for business including competition laws and policies for de-monopolisation;
- promoting privatization, liberalization, deregulation and the establishment of a framework for attracting foreign investment;
- facilitating efficient domestic resource mobilization;
- pursuing appropriate education and training policies;
- assisting the process of information exchange and availability (through trade efficiency for example);
- governmental promotion of enterprise development and establishment of an appropriate government/private sector dialogue.

31. Where the public sector is an important player in productive activity it is essential to ensure that public enterprises are efficiently run, fully accountable and, in general, operate on a commercial basis responding to market forces.

32. UNCTAD IX should also recognize the important role that more prosperous countries can play in a coordinated and coherent manner, by :

- encouraging policy dialogue between all countries to help implement sound policies;
- supporting the creation of institutions which, at an intermediary level, act between investors and local private enterprise;
- offering financial and technical assistance in order to develop appropriate instruments and systems to assist private sector development.

33. UNCTAD should facilitate sustainable development through trade and investment, and, in a cooperative and complementary manner with WTO, the participation of developing countries in international trade system. UNCTAD's work should be development related, action-oriented and provide guidance for national policies and regulatory frameworks conducive to trade and enterprise development. It should concentrate primarily on the needs of the LDCs, that are, in their majority, situated in the sub-saharan Africa. UNCTAD should focus its activities on analytical work, enhanced by exchanges of views and experiences in liaison with the private sector, NGOs and the academic world which should lead to practical outputs, including technical assistance.

34. UNCTAD's work must be centred on dynamic work programmes strictly limited in time and number of working sessions, aimed at practical outputs and subject to regular evaluation.

35. UNCTAD should concentrate its work programmes around the following core issues:

(a) Strategies and policies of development in a globalizing and increasingly interdependent world economy, related to trade, sustainable development and stability;

(b) International trade as an instrument for development in the post-Uruguay Round world:

- Trade and development policies (including environment, commodities, competition, preferences, etc.);
- Services development
- Trade efficiency including trade points.

(c) Enterprise Development and Competitiveness in Developing Countries

In this particular sector UNCTAD should involve the private sector and non-governmental organizations as well as governments.

- Investment issues;
- Development of SMEs as well as micro-enterprises and the "informal sector", avoiding overlapping with the work of other relevant international institutions;
- Entrepreneurship and promotion of an enterprise culture (particularly in the LDCs).

36. UNCTAD should also take account, in a cross-sectoral and integrated manner, of:

- the growing differences within the developing world;
- the particular problems facing LDCs;
- the need for cooperation among developing countries.
- poverty alleviation and the empowerment of women.

37. UNCTAD should use its resources - both financial and human - according to the priorities set by the Conference. Similarly, technical assistance activities of UNCTAD should be pursued in the context of these priorities and they should be complementary to the technical assistance provided by the ITC, the WTO and multilateral and bilateral donors. UNCTAD should ensure the coherence of the actions conducted in the framework of technical assistance programmes with its analytical activities, deriving the maximum benefit from cross-fertilisation between the two. UNCTAD's publication programme should be rationalized and subject to regular review directly or indirectly by the TDB.

38. The institutional reform of UNCTAD should build upon the recommendations agreed upon in the December 1995 TDB special session and reflect the priorities to be adopted at the Ninth Conference in order to make its work more effective and efficient. In particular, the role and function of the Trade and Development Board for managing UNCTAD's activities should be enhanced.

39. The Trade and Development Board should set clear and specific terms of reference for its subsidiary bodies and examine and evaluate their work: it should be empowered not only to create new bodies but also to abolish existing ones, on the basis of the priorities of the Organization and of the work accomplished. It should examine the reports of the different bodies in order to draw elements for development perspectives to reach operational conclusions and to determine the direction of new work. In addition, every year the Board should review an annual programme for the planned technical assistance activities of UNCTAD.

40. The structure of UNCTAD's subsidiary bodies, which may in future be known as Commissions, and which report directly to the Board, must be simplified and their number must be strictly limited. The European Union therefore supports the establishment of a small number of Commissions in the core issues mentioned in sub-paragraphs 35(b) and (c) as well as in matters related to the Medium-Term Plan and the Programme Budget.

41. The future of the Commission on Science and Technology for Development and its relationship with UNCTAD and other organizations should be examined.

42. The Commissions could convene a fixed annual number of expert meetings, including regional meetings, which would in general be non-governmental, involving the participation of qualified experts. An equitable geographical representation is desirable. The experts meetings should be organized in a form and with a participation most conducive for accomplishing their tasks. If necessary, inter-governmental expert meetings could be convened.

43. Expert meetings should be devoted to the consideration of technical questions and should receive from the parent Commission precise terms of reference and clear objectives. They should complete their work within three days. Expert meetings should present the results of their work to the parent Commission which could consider them, draw the appropriate conclusions and recommendations, and make the results available to other relevant Commissions.

44. To have recourse to the full range of expertise and thereby generate worthwhile new ideas in the area of development, UNCTAD should promote the participation in expert meetings of persons from the academic world, the public and private sectors and NGOs.

45. All the above meetings should be provided with interpretation and translation services.

46. The European Union encourages the Secretary General of UNCTAD in his efforts to rationalize the functioning of the Secretariat and invites him to ensure coherence between the priorities to be established by the Conference, the intergovernmental machinery and the internal organization of the Secretariat.